

WRIGHT COUNTY
Clarion, Iowa

INDEPENDENT AUDITORS' REPORTS
BASIC FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS
June 30, 2004

WRIGHT COUNTY, IOWA
Clarion, Iowa

TABLE OF CONTENTS

	<u>Page</u>
OFFICIALS	1
INDEPENDENT AUDITORS' REPORT	2-3
MANAGEMENT'S DISCUSSION AND ANALYSIS	4-9
BASIC FINANCIAL STATEMENTS	<u>Exhibit</u>
Government-wide Financial Statements:	
Statement of Net Assets	A..... 10
Statement of Activities.....	B..... 11
Governmental Fund Financial Statements:	
Balance Sheet.....	C..... 12-13
Reconciliation of the Balance Sheet – Governmental Funds to the Statement of Net Assets	D..... 14
Statement of Revenues, Expenditures and Changes in Fund Balances.....	E..... 15-16
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds to the Statement of Activities	F..... 17
Proprietary Fund Financial Statements:	
Statement of Net Assets and Liabilities	G..... 18
Statement of Revenues, Expenses, and Changes in Fund Net Assets.....	H..... 19
Statement of Cash Flows.....	I..... 20
Fiduciary Fund Financial Statements:	
Statement of Fiduciary Assets and Liabilities – Agency Funds	J..... 21
Notes to Financial Statements	22-35
REQUIRED SUPPLEMENTARY INFORMATION:	
Budgetary Comparison Schedule of Receipts, Disbursements and Changes in Balances – Budget and Actual (Cash Basis) – All Governmental Funds	36
Budget to GAAP Reconciliation	37
Notes to Required Supplementary Information – Budgetary Reporting . . .	38

TABLE OF CONTENTS

OTHER SUPPLEMENTARY INFORMATION:	<u>Schedule</u>	<u>Page</u>
Non-Major Special Revenue Funds:		
Combining Balance Sheet	1	39-40
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances.....	2	41-42
Agency Funds:		
Combining Schedule of Fiduciary Assets and Liabilities	3	43-44
Combining Statement of Changes in Fiduciary Assets and Liabilities	4	45-46
Schedule of Revenues by Source and Expenditures by Function - All Governmental Funds	5	47
 INDEPENDENT AUDITORS' REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING		 48-49
 SCHEDULE OF FINDINGS		 50-53

WRIGHT COUNTY
Clarion, Iowa

OFFICIALS

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Rodney Toftey	Board of Supervisors.....	January 2007
Conrad Kleppe	Board of Supervisors.....	January 2007
Larry E. Olson	Board of Supervisors.....	January 2005
Caye Chelesvig.....	Board of Supervisors.....	January 2005
Stan Watne.....	Board of Supervisors.....	January 2005
Betty Ellis	County Auditor	January 2005
Karen Hobbie	County Treasurer	January 2007
Dwight N. Reiland	County Recorder.....	January 2007
Paul J. Schultz.....	County Sheriff.....	January 2005
Eric Simonson	County Attorney	Appointed
Kathy Waddell.....	County Assessor	January 2007

Independent Auditors' Report

To the Officials of Wright County
Clarion, Iowa

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Wright County, Iowa, as of and for the year ended June 30, 2004, which collectively comprise the County's basic financial statements as listed in the table of contents. These basic financial statements are the responsibility of Wright County's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards, Chapter 11 of the Code of Iowa, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards and provisions require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Wright County at June 30, 2004, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our reports dated February 25, 2005 on our consideration of Wright County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations and contracts. Those reports are an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Independent Auditors' Report (Continued)

Management's Discussion and Analysis and budgetary comparison information on pages 4 - 9 and 37 - 39 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. We did not audit the information and express no opinion on it.

Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise Wright County's basic financial statements. The financial statements for the two years ended June 30, 2002 (none of which are presented herein) were audited by other auditors, qualified opinions were given on those financial statements for the effects of the omission of general fixed assets and the materials and supplies inventories, pertaining primarily to the Special Revenue Funds. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the year ended June 30, 2003 (none of which are presented herein) and expressed unqualified opinions on these financial statements. The supplementary information included in Schedules 1 through 5 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

February 25, 2005

MANAGEMENT'S DISCUSSION AND ANALYSIS

Wright County provides this Management's Discussion and Analysis of its annual financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2004. We encourage readers to consider this information in conjunction with the County's financial statements, which follow.

2004 FINANCIAL HIGHLIGHTS

- Governmental funds revenue decreased approximately \$374,126 from fiscal year 2003 (FY03). However, property and other tax revenue increased approximately \$192,567.
- Program expenses decreased from \$14.3 million in FY03 to \$12.0 million in fiscal year 2004 (FY04).
- Net assets increased approximately \$2.8 million from FY03.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements as well as other information as follows:

- *Management's Discussion and Analysis* introduces the basic financial statements and provides an analytical overview of the government's financial activities.
- The *Government-wide Financial Statement* consists of a statement of net assets and a statement of activities. These provide information about the activities of Wright County as a whole and present an overall view of the County's finances.
- The *Fund Financial Statements* tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report Wright County's operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which Wright County acts solely as an agent or custodian for the benefit of those outside of the government.
- *Notes to the Financial Statements* provide additional information that is essential to a full understanding of the data provided in the basic financial statements.
- *Required Supplementary Information other than MD&A* provides detailed information about the non-major governmental and the individual fiduciary funds, as well as the required budgetary comparison information.
- *Other Supplementary Information* provides detailed information about the non-major special revenue and the individual agency funds.

REPORTING THE COUNTY AS A WHOLE:

The Statement of Net Assets and the Statement of Activities

One of the most important questions asked about the County's finances is, "Is the County as a whole better off or worse off as a result of the year's activities?" The Statement of Net Assets and the Statement of Activities report information about activities in a way

that helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting and the economic resources measurement focus. This is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

The Statement of Net Assets presents all of the County's assets and liabilities, with the difference between the two reported as "net assets". Over time, increases or decreases in the County's net assets may serve as a useful indicator of whether the financial position of the County is improving or deteriorating.

The Statement of Activities presents information showing how the County's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the event or change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will not result in cash flows until future fiscal periods.

The County's governmental activities are displayed in the Statement of Net Assets and the Statement of Activities. Governmental activities include public safety and legal services, physical health and social services, mental health, county environment and education, roads and transportation, government services to residents, administrative services, interest on long-term debt and other non-program activities. Property tax and state and federal grants finance most of these activities.

REPORTING THE COUNTY BY FUNDS:

Fund Financial Statements

The fund financial statements provide detailed information about individual, significant funds; not the County as a whole. Some funds are required to be established by Iowa law or by bond covenants. The County can establish other funds to help it control and manage money for particular purposes.

The County has three kinds of funds:

1) Governmental funds account for most of the County's basic services. These fund statements focus on how money flows into and out of those funds, and the balances left at year-end that are available for spending. These governmental funds include: 1) General Fund, 2) Special Revenue Funds such as Mental Health, Rural Services, Drainage, and Secondary Roads, 3) Debt Service Fund, and 4) Capital Projects Fund. These funds are reported using the modified accrual basis of accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed, short-term view of the County's general governmental operations and the basic services it provides. Governmental fund information helps one determine whether there are more or fewer financial resources that can be spent in the near future to finance the County's programs.

The financial statements required for governmental funds include a balance sheet and a statement of revenues, expenditures, and changes in fund balances.

2) Proprietary funds account for the County's employee group health insurance, an internal service fund. Internal service funds are an accounting device used to accumulate and allocate costs internally among the County's various functions.

The proprietary funds required financial statements include a statement of net assets, a statement of revenues, expenses and changes in net assets and a statement of cash flows.

3) Fiduciary funds are used to report assets held in a trust or agency capacity for others and cannot be used to support the County's own programs. These fiduciary funds include agency funds that account for emergency management services, and the county assessor to name a few.

The financial statements required for fiduciary funds include a statement of fiduciary assets and liabilities.

Reconciliations between the government-wide financial statements and the fund financial statements follow the fund financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve over time as a useful indicator of financial position. Wright County's net assets for FY04 totaled approximately \$17.4 million. This compares to FY03 at \$14.5 million. The analysis that follows focuses on the net assets for our governmental activities.

Net Assets of Governmental Activities (Expressed in Thousands)

	2004	2003
Current and Other Assets	\$12,663	\$12,061
Capital Assets	13,404	12,543
Total Assets	26,067	24,604
Long-term Debt Outstanding	1,225	1,335
Other Liabilities	7,420	8,738
Total Liabilities	8,645	10,073
Net Assets:		
Invested in Capital Assets, Net of Debt	12,179	11,208
Restricted	4,429	1,413
Unrestricted	814	1,910
Total Net Assets	\$17,422	\$14,531

Net assets of Wright County's governmental activities increased by approximately \$2.8 million from FY03. The largest portion of the County's net assets is the Invested in Capital Assets (e.g., land, infrastructure, buildings, and equipment), less the related debt. The debt related to the Investment in Capital Assets is liquidated with sources other than capital assets. Restricted net assets represent resources that are subject to external restrictions, constitutional provisions, or enabling legislation on how they can be used.

Unrestricted net assets—the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, legislation, or other legal requirements - is \$0.8 million.

Net Assets of Governmental Activities
(Expressed in Thousands)

	2004	2003
Revenues:		
Program Revenue:		
Charges for Service	\$1,435	\$4,350
Operating Grants and Contributions	4,930	3,325
Capital Grants and Contributions	1,930	68
General Revenues:		
Property Taxes	4,884	4,728
Penalty and Interest on Property Taxes	37	40
State Tax Credits	278	311
Local Option Sales Tax	310	0
Unrestricted Investment Earnings	107	93
Gain on Sale of General Fixed Assets	38	2
Other General Revenues	1,160	605
Total Revenues	<u>15,109</u>	<u>13,522</u>
Program Expenses:		
Public Safety and Legal Services	1,367	1,266
Physical Health and Social Services	2,708	2,522
Mental Health	1,458	1,431
County Environment and Education	771	679
Roads and Transportation	3,969	2,202
Government Services to Residents	327	293
Administrative Services	888	2,034
Non-Program	672	2,852
Interest on Long-term Debt	58	61
Total Expenses	<u>12,218</u>	<u>13,340</u>
Increase in Net Assets	2,891	182
Net Assets Beginning of Year, as restated	<u>14,531</u>	<u>14,349</u>
Net Assets End of Year	<u>\$17,422</u>	<u>\$14,531</u>

The new Uniform Chart of Accounts for Iowa Counties was effective for FY03 County Financial Reporting which combined line items. The financial information for the year ended June 30, 2003 has been combined.

Wright County did not increase property tax rates in the rural levy. However, the property tax rate in the county-wide levy increased \$0.24029 per \$1,000 of valuation and

generated \$140,857 more dollars than in the prior year. Taxable value by and total dollars levied are as follows:

	2004	2003
Countywide taxable value	\$638,585,795	\$639,207,091
Countywide levy rate without debt	5.6923	5.45422
Dollars levied without debt	3,523,027	3,381,612
County taxable debt service value	652,775,838	655,295,195
County debt service levy rate	0.25795	0.25574
Dollars levied debt service	163,308	162,673
Total countywide rate	5.95025	5.70996
Total dollars levied countywide	3,686,335	3,544,285
Rural taxable value	439,576,730	439,657,827
Rural tax levy rate	3.10000	3.10000
Dollars levied rural area only	1,328,633	1,329,826
Total dollars levied	5,014,968	4,874,111

INDIVIDUAL MAJOR FUND ANALYSIS

As Wright County completed the year, its governmental funds reported a combined fund balance of \$6,893,174, which is greater than the \$5,176,442 combined fund balance of FY03.

The General Fund, the operating fund for Wright County, ended FY04 with an unreserved ending balance totaling \$2,456,770, an increase of \$604,365. The Board of Supervisors aim to maintain an ending fund balance of about 25% of expenditures. In FY04, ending fund balance was about 44% of expenditures.

Wright County has continued to look for ways to effectively manage the cost of mental health services in the Mental Health Fund. Fiscal year 2004 ended with a \$608,620 balance, whereas FY03 ended with \$160,552.

The Rural Service Fund ended FY04 with a \$248,757 balance compared to the prior year balance of \$160,552. Property tax revenue for the Rural Services Fund tax increased by \$40,756 in FY04, includes local option sales tax revenue and was due to a slight increase in valuation. The other revenues and expenditures within the rural services fund remained virtually unchanged.

The Secondary Roads Fund ended FY04 with a \$2.1 million balance compared to the prior year balance of \$1.64 million. This increase is partially due to the inclusion of materials and supplies inventories, not previously reported. Capital project expenditures in FY04 decreased approximately \$214,995 from FY03.

The Debt Service Fund ended FY04 with a \$4,073 balance compared to the prior year balance of \$3,840. Bond principal and interest payments increased by \$1,101 in FY04 according to the bond maturity schedule.

The Capital Projects Fund ended FY03 with a \$5,597 balance compared to the prior year balance of \$5,571. This fund will be closed out in fiscal 2005 due to the completion of the Jail Project.

GENERAL FUND BUDGETARY HIGHLIGHTS

Over the course of the year, Wright County amended the General Fund budget twice. The amendments were made in May and June 2004. The amendments created an increase in revenues over expenditures of \$361,186 and \$3,568, respectively.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of FY04, Wright County had approximately \$27.8 million invested in a broad range of capital assets, including public safety equipment, buildings, park facilities, roads, and bridges. This amount is an increase of approximately \$2.4 million from FY03 including infrastructure. The Jail Project, which was completed in FY03, carried related debt of approximately \$1.2 million in FY04 compared to \$1.3 million of debt in FY03.

Wright County had depreciation expense of \$1.2 million in FY04 and total accumulated depreciation of \$14.3 million on the capital assets. This is an increase in FY03's total accumulated depreciation of \$13.3 million.

Debt

At the end of FY04, Wright County had \$1,225,000 in general obligation bond outstanding compared to \$1,335,000 at the end of FY03.

Outstanding debt decreased as a result of the general obligation bond payments for the Jail. The Constitution of the State of Iowa limits the amount of general obligation debt that counties can issue to 5 percent of the assessed value of all taxable property within the county's corporate limits. Wright County's outstanding general obligation debt is significantly below its constitutional debt limit of \$32 million.

CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of Wright County's finances, and to show the County's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Wright County Auditor's Office, 115 North Main Street, Clarion, IA 50525.

WRIGHT COUNTY
Clarion, Iowa

STATEMENT OF NET ASSETS

June 30, 2004

	Governmental Activities
ASSETS	
Cash & Pooled Investments	\$5,905,818
Receivables	
Property Tax	
Delinquent	7,343
Succeeding Year	3,792,709
Interest & Penalty On Property Tax	446
Accounts	195,769
Accrued Interest	14,783
Drainage Assessments	976,454
Due From Other Governments	618,414
Loans Receivable	192,048
Inventories	959,593
Capital Assets (Net of Accumulated Depreciation)	13,404,183
TOTAL ASSETS	26,067,560
LIABILITIES	
Accounts Payable	462,187
Salaries & Benefits Payable	83,357
Due To Other Governments	127,193
Deferred Revenue	
Succeeding Year Property Tax	3,792,709
Other	1,154,270
Accrued Interest Payable	4,473
Long Term Liabilities	
Portion Due Or Payable Within One Year	
General Obligation Notes	115,000
USDA Promissory Note	13,780
Compensated Absences	224,538
Portion Due Or Payable After One Year	
General Obligation Notes	1,110,000
USDA Promissory Note	306,365
Drainage Warrants/Improvement	1,251,281
TOTAL LIABILITIES	8,645,153
NET ASSETS	
Invested in Capital Assets, Net of Related Debt	12,179,182
Restricted For:	
Mental Health Purposes	602,963
Secondary Roads Purposes	2,054,735
Debt Service	(84)
Capital Projects	5,597
Internal Service	119,128
Other Purposes	1,080,661
Drainage Warrants/Improvement Certificates	565,880
Unrestricted	814,345
TOTAL NET ASSETS	\$17,422,407

See Notes To Financial Statements

WRIGHT COUNTY
Clarion, Iowa

STATEMENT OF ACTIVITIES
Year Ended June 30, 2004

FUNCTIONS/PROGRAMS:	Expenses	Program Revenues			Net (Expense) Revenue & Changes in Net Assets
		Charges for Service	Operating Grants, Contributions & Restricted Interest	Capital Grants, Contributions & Restricted Interest	
GOVERNMENTAL ACTIVITIES:					
Public Safety & Legal Services	\$1,366,607	\$62,880	\$52,495	\$0	\$(1,251,232)
Physical Health & Social Services	2,707,593	136,662	2,400,984	0	(169,947)
Mental Health	1,458,486	11,986	297,798	0	(1,148,702)
County Environment & Education	771,463	112,406	16,677	0	(642,380)
Roads & Transportation	3,968,541	44,898	2,162,206	1,930,000	168,563
Governmental Services to Residents	327,386	246,596	0	0	(80,790)
Administrative Services	888,344	23,201	0	0	(865,143)
Non-Program	671,838	796,268	0	0	124,430
Interest on Long-Term Debt	58,062	0	0	0	(58,062)
TOTAL GOVERNMENTAL ACTIVITIES	\$12,218,320	\$1,434,897	\$4,930,160	\$1,930,000	(3,923,263)
GENERAL REVENUES:					
Property and Other County Tax Levied For:					
General Purposes					4,727,243
Debt Service					159,058
Penalties & Interest on Property Tax					37,322
State Tax Credits					278,266
Local Option Sales Tax					310,016
Unrestricted Investment Earnings					107,468
Miscellaneous					1,160,280
Gain on Disposal of Capital Assets					38,020
TOTAL GENERAL REVENUES					6,814,673
CHANGE IN NET ASSETS					2,891,410
NET ASSETS, BEGINNING OF YEAR, AS RESTATED (Note 12)					14,530,997
NET ASSETS END OF YEAR					\$17,422,407

See Notes To Financial Statements

WRIGHT COUNTY

Clarion, Iowa

**BALANCE SHEET
GOVERNMENTAL FUNDS**

June 30, 2004

		Special Revenue	
	General	Mental Health	Rural Services
ASSETS			
Cash and Pooled Investments	\$2,105,583	\$632,032	\$225,189
Receivables			
Property Tax			
Delinquent	4,927	1,198	864
Succeeding Year	2,070,770	503,310	1,065,279
Interest and Penalty on Property Tax	446	0	0
Accounts	75,667	118,716	0
Assessments	0	0	0
Accrued Interest	13,910	0	0
Due From Other Funds	8,398	0	0
Due From Other Governments	414,405	274	23,408
Note Receivable	0	0	0
Inventories	0	0	0
Prepaid Insurance	0	0	0
TOTAL ASSETS	\$4,694,106	\$1,255,530	\$1,314,740
LIABILITIES AND FUND BALANCES			
Liabilities			
Accounts Payable	\$95,020	\$21,473	\$0
Salaries and Benefits Payable	48,485	1,887	0
Due To Other Governments	8,017	119,176	0
Deferred Revenue			
Succeeding Year Property Tax	2,070,770	503,310	1,065,279
Other	15,044	1,064	704
Total Liabilities	2,237,336	646,910	1,065,983
Fund Balances			
Reserved For:			
Inventories	0	0	0
Debt Service	0	0	0
Note Receivable	0	0	0
Unreserved, Reported In:			
General Fund	2,456,770	0	0
Special Revenue Funds	0	608,620	248,757
Debt Service	0	0	0
Capital Projects Fund	0	0	0
Total Fund Balances	2,456,770	608,620	248,757
TOTAL LIABILITIES AND FUND BALANCES	\$4,694,106	\$1,255,530	\$1,314,740

See Notes To Financial Statements

Exhibit C

<u>Special Revenue</u>					
Secondary Roads	Drainage	Debt Service	Capital Projects	Non-major Special Revenue	Total
\$1,336,047	\$316,147	\$3,953	\$5,594	\$1,144,842	\$5,769,387
0	0	354	0	0	7,343
0	0	153,350	0	0	3,792,709
0	0	0	0	0	446
103	0	0	0	1,283	195,769
0	976,454	0	0	0	976,454
0	0	0	3	748	14,661
0	0	0	0	0	8,398
170,486	0	81	0	9,760	618,414
0	0	0	0	192,048	192,048
959,593	0	0	0	0	959,593
0	0	0	0	0	0
\$2,466,229	\$1,292,601	\$157,738	\$5,597	\$1,348,681	\$12,535,222
\$294,860	\$37,222	\$0	\$0	\$4,585	\$453,160
32,985	0	0	0	0	83,357
0	0	0	0	0	127,193
0	0	153,350	0	0	3,792,709
0	976,454	315	0	192,048	1,185,629
327,845	1,013,676	153,665	0	196,633	5,642,048
959,593	0	0	0	0	959,593
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	2,456,770
1,178,791	278,925	0	0	1,152,048	3,467,141
0	0	4,073	0	0	4,073
0	0	0	5,597	0	5,597
2,138,384	278,925	4,073	5,597	1,152,048	6,893,174
\$2,466,229	\$1,292,601	\$157,738	\$5,597	\$1,348,681	\$12,535,222

**WRIGHT COUNTY
Clarion, Iowa****RECONCILIATION OF THE BALANCE SHEET
GOVERNMENTAL FUNDS TO THE STATEMENT OF NET ASSETS
June 30, 2004**

Total Governmental Fund Balances (page 13-14) \$6,893,174

*Amounts reported for governmental activities in the Statement of Net Assets
are different because:*

Capital assets used in governmental activities are not current financial resources
and, therefore, are not reported in the funds. 13,404,183

Other long-term assets are not available to pay current period expenditures and,
therefore, are deferred in the funds. 31,359

Internal service fund is used by management to charge the costs of self funding
of the County's health insurance benefit plan to individual funds. The assets and
liabilities of the internal service fund are included in governmental activities in
the statement of net assets. 119,128

Long-term liabilities, including bonds payable, compensated absences payable,
and accrued interest payable are not due and payable in the current period and,
therefore, are not reported in the funds. (3,025,437)

Net Assets of Governmental Activities (page 11) \$17,422,407

See notes to financial statements.

WRIGHT COUNTY**Clarion, Iowa****STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES****GOVERNMENTAL FUNDS**

Year Ended June 30, 2004

	General	Special Revenue	
		Mental Health	Rural Services
REVENUES			
Property and Other County Tax	\$2,904,618	\$523,387	\$1,605,714
Interest and Penalty on Property Tax	34,793	0	0
Intergovernmental	2,656,492	937,961	63,812
Licenses & Permits	9,047	0	0
Charges for Service	453,419	0	0
Use of Money and Property	107,728	11,986	0
Miscellaneous	97,432	4,686	0
Non-Program	0	0	0
Total Revenues	6,263,529	1,478,020	1,669,526
EXPENDITURES			
Current:			
Public Safety and Legal Services	1,193,789	0	62,388
Physical Health and Social Services	2,696,302	0	0
Mental Health	0	1,448,386	0
County Environment and Education	456,662	0	197,183
Roads and Transportation	0	0	0
Governmental Services to Residents	317,810	0	1,374
Administrative Services	859,642	0	0
Non-Program	27,675	0	0
Debt Service	0	0	0
Capital Projects	0	0	0
Total Expenditures	5,551,880	1,448,386	260,945
Excess (Deficiency) of Revenues Over (Under) Expenditures	711,649	29,634	1,408,581
Other Financing Sources (Uses)			
Sale of Capital Assets	550	330,000	0
Operating Transfers In	0	0	0
Operating Transfers Out	(107,834)	0	(1,320,376)
Proceeds from Issuance of Stamped Warrants	0	0	0
Total Other Financing Sources (Uses)	(107,284)	330,000	(1,320,376)
Net Change in Fund Balances	604,365	359,634	88,205
Fund Balances – Beginning of Year, As Restated (Note 12)	1,852,405	248,986	160,552
Decrease in Reserve for Inventories	0	0	0
Fund Balances – End of Year	\$2,456,770	\$608,620	\$248,757

See Notes To Financial Statements

Exhibit E

Special Revenue Secondary Roads	Drainage	Debt Service	Capital Projects	Non-major Special Revenue	Total
\$0	\$0	\$158,966	\$0	\$0	\$5,192,685
0	0	0	0	0	34,793
2,162,204	0	9,700	0	20,115	5,850,284
520	0	0	0	0	9,567
53	0	0	0	26,417	479,889
11,335	0	0	26	73,171	204,246
35,853	0	0	0	420,430	558,401
0	728,481	0	0	0	728,481
2,209,965	728,481	168,666	26	540,133	13,058,346
0	0	0	0	74,953	1,331,130
0	0	0	0	0	2,696,302
0	0	0	0	0	1,448,386
0	0	0	0	143,487	797,332
2,921,667	0	0	0	0	2,921,667
0	0	0	0	1,969	321,153
0	0	0	0	0	859,642
0	1,284,901	0	0	0	1,312,576
0	0	168,433	0	0	168,433
215,223	0	0	0	0	215,223
3,136,890	1,284,901	168,433	0	220,409	12,071,844
(926,925)	(556,420)	233	26	319,724	986,502
1,235	0	0	0	0	331,785
1,428,210	0	0	0	3,192	1,431,402
0	0	0	0	(3,192)	(1,431,402)
0	409,435	0	0	0	409,435
1,429,445	409,435	0	0	0	741,220
502,520	(146,985)	233	26	319,724	1,727,722
1,646,854	425,910	3,840	5,571	832,324	5,176,442
(10,990)	0	0	0	0	(10,990)
\$2,138,384	\$278,925	\$4,073	\$5,597	\$1,152,048	\$6,893,174

WRIGHT COUNTY
Clarion, Iowa

**RECONCILIATION OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES**
Year Ended June 30, 2004

Net change in fund balances - Total governmental funds (page 15-16) \$1,727,722

Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the assets. Capital outlay expenditures and contributed capital assets exceeded depreciation expense in the current year as follows:

Expenditures for capital assets	\$495,613	
Capital assets contributed by the Iowa Department of Transportation	1,930,000	
Depreciation Expense	<u>(1,271,016)</u>	1,154,597

In the Statement of Activities, the gain on the disposition of capital assets is reported, whereas in the governmental funds report the proceeds from the sale as an increase in financial resources.

(293,765)

Because some revenues will not be collected for several months after the County's year end, they are not considered available revenues and are deferred in the governmental funds.

Property Tax	3,161	
Other	<u>10,668</u>	13,829

Proceeds from issuing long-term liabilities provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Assets. Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. Current year repayments exceeded issues as follows:

Repaid		110,000
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Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds as follows:

USDA Promissory Note	13,643	
Drainage Warrants	286,955	
Compensated Absences	(37,907)	
Interest on Long-Term Debt	<u>371</u>	263,062

Inventories in the governmental funds have been recorded as expenditures when paid. However, the Statement of Activities will report these items as expenditures in the period that the corresponding net asset is exhausted.

(10,990)

The Internal Service Fund is used by management to charge the costs of employee health benefits to individual funds. The change in net assets of the Internal Service Fund is reported with governmental activities.

(73,045)

Change in Net Assets of Governmental Activities (page 11) \$2,891,410

See Notes to Financial Statements

**WRIGHT COUNTY
Clarion, Iowa****STATEMENT OF NET ASSETS
PROPRIETARY FUND
June 30, 2004**

	Internal Service Employee Group Health
ASSETS	
Cash and Cash Equivalents	\$128,033
Receivables	
Accrued Interest	122
TOTAL ASSETS	\$128,155
LIABILITIES	
Accounts Payable	\$9,027
NET ASSETS	
Unrestricted	\$119,128

See Notes To Financial Statements

**WRIGHT COUNTY
Clarion, Iowa****STATEMENT OF REVENUE, EXPENSES
AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUND
Year Ended June 30, 2004**

	Internal Service Employee Group Health
OPERATING REVENUES	
Reimbursements From Operating Funds	\$1,165,172
Reimbursements From Employees	131,275
Miscellaneous	15,085
Total Operating Revenues	<u>1,311,532</u>
OPERATING EXPENSES	
Medical Claims	127,819
Insurance Premiums	1,233,922
Administrative Fees	5,740
Miscellaneous	18,844
Total Operating Expenses	<u>1,386,325</u>
Operating Loss	(74,793)
NON-OPERATING REVENUES	
Interest on Investments	<u>1,748</u>
Net Loss	(73,045)
Net Assets Beginning of Year	<u>192,173</u>
Net Assets End of Year	<u><u>\$119,128</u></u>

See Notes To Financial Statements

WRIGHT COUNTY
Clarion, Iowa

STATEMENT OF CASH FLOWS
PROPRIETARY FUND
Year Ended June 30, 2004

	Internal Service Employee Group Health
<hr/> CASH FLOWS FROM OPERATING ACTIVITIES	
Cash Received From Operating Fund Reimbursements	\$1,165,172
Cash Received From Employees and Others	146,360
Cash Payments To Suppliers For Services	<u>(1,399,349)</u>
Net Cash Used In Operating Activities	(87,817)
 CASH FLOWS FROM INVESTING ACTIVITIES	
Interest on Investments	<u>1,786</u>
 Net Decrease in Cash and Cash Equivalents	(86,031)
 Cash & Cash Equivalents at Beginning of Year	<u>214,064</u>
 Cash & Cash Equivalents at End of Year	<u><u>\$128,033</u></u>
 RECONCILIATION OF OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES	
 Operating Loss	\$(74,793)
 Adjustments to Reconcile Operating Loss to Net Cash Used In Operating Activities	
Decrease In Accounts Payable	<u>(13,024)</u>
 Net Cash Used In Operating Activities	<u><u>\$(87,817)</u></u>

See Notes To Financial Statements

**WRIGHT COUNTY
Clarion, Iowa****STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUNDS
June 30, 2004****ASSETS**

Cash and Pooled Investments	
County Treasurer	\$1,121,721
Other County Officials	8,652
Receivables	
Property Tax	
Delinquent	3,381
Succeeding Year	11,126,679
Accounts	18,777
Accrued Interest	155
Assessments	268,829
Due from Other Governments	7,235
TOTAL ASSETS	12,555,429

LIABILITIES

Accounts Payable	21,131
Salaries and Benefits Payable	6,285
Due To Other Governments	12,510,118
Trusts Payable	2,242
Compensated Absences	15,653
TOTAL LIABILITIES	12,555,429

NET ASSETS	\$0
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See Notes To Financial Statements

WRIGHT COUNTY

Clarion, Iowa

Notes to Financial Statements

Note 1: Summary of Significant Accounting Policies

Wright County is a political subdivision of the State of Iowa and operates under the Home Rule provisions of the Constitution of Iowa. The County operates under the Board of Supervisors form of government. Elections are on a partisan basis. Other elected officials operate independently with the Board of Supervisors. These officials are the Auditor, Treasurer, Recorder, Sheriff, and Attorney. The County provides numerous services to citizens, including law enforcement, health and social services, parks and cultural activities, planning and zoning, roadway construction and maintenance, and general administrative services.

The County's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

A. REPORTING ENTITY

For financial reporting purposes, Wright County has included all funds, organizations, account groups, agencies, boards, commissions, and authorities. The County has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the County are such that exclusion would cause the County's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the County to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the County.

These financial statements present Wright County (the primary government) and its component units. The component units discussed below are included in the County's reporting entity because of the significance of their operational or financial relationships with the County.

Blended Component Units – The following component units are entities that are legally separate from the County, but are so intertwined with the County that they are, in substance, the same as the County. They are reported as part of the County and blended into the appropriate funds.

Two hundred forty-seven major drainage districts have been established pursuant to Chapter 468 of the Code of Iowa for the drainage of surface waters from agricultural and other lands or the protection of such lands from overflow. Though these districts are legally separate from the County, they are controlled, managed and supervised by the Wright County Board of Supervisors. The drainage districts are reported as a Special Revenue Fund. Financial information of the individual drainage districts can be obtained from the Wright County Auditor's office.

Jointly Governed Organizations – The County participates in several jointly governed organizations that provide goods or services to the citizenry of the County but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The Wright County Board of Supervisors are members of or appoint representatives to the following boards and commissions: Wright County Assessor's Conference Board, Wright County Emergency Management Commission, and Wright County Joint E911 Service Board. Financial transactions of these organizations are included in the County's financial statements only to the extent of the County's fiduciary relationship with the organization and, as such, are reported in the Agency Funds of the County.

Notes to Financial Statements (Continued)

Note 1: Summary of Significant Accounting Policies (Continued)

B. BASIS OF PRESENTATION

Government-wide Financial Statements – The Statement of Net Assets and the Statement of Activities report information on all of the non-fiduciary activities of the primary government and its component units. For the most part, the effect of inter-fund activity has been removed from these statements. Governmental activities are supported by property tax, intergovernmental revenues and other non-exchange transactions.

The Statement of Net Assets presents the County's non-fiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories.

Invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt that are attributed to the acquisition, construction, or improvement of those assets.

Restricted net assets result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets consist of net assets that do not meet the definition of the two preceding categories. Unrestricted net assets often have constraints on resources that are imposed by management, but can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements – Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as other non-major governmental funds.

The County reports the following major governmental funds:

The General Fund is the general operating fund of the County. All general tax revenues and other receipts that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenses, the fixed charges and the capital improvement costs that are not paid from other funds.

Special Revenue:

The Mental Health Fund is used to account for property tax and other revenues designated to be used to fund mental health, mental retardation, and developmental disabilities services.

The Rural Services Fund is used to account for property tax and other revenues to provide services which are primarily intended to benefit those persons residing in the county outside of incorporated city areas.

The Secondary Roads Fund is used to account for the secondary road construction and maintenance.

The Drainage Fund is used to account for special assessments against benefited properties and the payment of drainage warrants and drainage improvement certificates.

Notes to Financial Statements (Continued)

Note 1: Summary of Significant Accounting Policies (Continued)

B. Basis of Presentation (Continued)

The Debt Service Fund is utilized to account for the payment of interest and principal on the County's general long term debt.

The Capital Projects Fund is used to account for all resources used in the acquisition and construction of capital facilities.

Additionally the County reports the following funds:

Proprietary Fund - An Internal Service Fund is utilized to account for the financing of goods or services purchased by one department of the county and provided to other departments or agencies on a cost reimbursement basis.

Fiduciary Fund - Agency funds are used to account for assets held by the county as an agent for individuals, private organizations, certain jointly governed organizations, other governmental units, and/or other funds.

C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

The government-wide, proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the County considers revenues to be available if they are collected within 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest are considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the County.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long term debt, claims, judgments and compensated absences are recorded as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of long term debt and acquisitions under capital leases are reported as other financing sources.

Under the terms of grant agreements, the County funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the County's policy to first apply the cost-reimbursement grant resources to such programs, followed by categorical block grants, and then by general revenues.

The proprietary fund of the County applies all applicable GASB pronouncements as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict or contradict GASB pronouncements: Financial Accounting Standards Board Statements of Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

Notes to Financial Statements (Continued)

Note 1: Summary of Significant Accounting Policies (Continued)

C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING (CONTINUED)

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the County's Internal Service Fund is charges to customers for sales and services. Operative expenses for internal service funds include the cost of services and administrative expenses. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The County maintains its financial records on a cash basis. The financial statements of the County are prepared by making memorandum adjusting entries to the cash basis financial records.

D. ASSETS, LIABILITIES AND FUND EQUITY

The following accounting policies are followed in preparing the balance sheet:

Cash, Pooled Investments and Cash Equivalents – The cash balances of most County funds are pooled and invested. Interest earned on investments is recorded in the General Fund, unless otherwise provided by law. Investments are stated at fair value except for non-negotiable certificates of deposit which are stated at cost.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and at the day of purchase, they have a maturity date no longer than three months.

Property Tax Receivable – Property tax in governmental funds is accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the County Board of Supervisors. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Supervisors to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the Board of Supervisors is required to certify its budget in March of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property Tax Receivable (Continued) – Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2002 assessed property valuations; is for the tax accrual period July 1, 2003 through June 30, 2004 and reflects the tax asking contained in the budget certified by the County Board of Supervisors in March, 2003.

Interest and Penalty on Property Tax Receivable – Interest and penalty on property tax receivable represents the amount of interest and penalty that was due and payable, but has not been collected.

Drainage Assessments Receivable – Drainage assessments receivable represent amounts assessed to individuals for work done on drainage districts which benefit their property. These assessments are payable by individuals in not less than 10 nor more than 20 annual installments. Each annual installment with interest on the unpaid balance is due on September 30 and is subject to the same interest and penalties as other taxes. Drainage assessments receivable represent assessments which

are due and payable but have not been collected. Succeeding year drainage assessments receivable represents remaining assessments which are payable but not yet due.

Notes to Financial Statements (Continued)

Note 1: Summary of Significant Accounting Policies (Continued)

D. ASSETS, LIABILITIES AND FUND EQUITY (CONTINUED)

Due from and Due to Other Funds – During the course of its operations, the County has numerous transactions between funds. To the extent that certain transactions between funds had not been paid or received as of June 30, 2004, balances of interfund amounts receivable or payable have been recorded in the fund financial statements.

Due from Other Governments – Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants, and reimbursements from other governments.

Inventories – Inventories are valued at cost using the first-in, first-out method. Inventories in the Special Revenue Funds consist of expendable supplies held for consumption. The cost is recorded as an expenditure at the time individual inventory items are purchased. Reported inventories are equally offset by a fund balance reserve which indicates that they are not available to liquidate current obligations.

Capital Assets – Capital assets, which include property, equipment and vehicles, and infrastructure assets (e.g., roads, bridges, curbs, gutters, sidewalks and similar items which are immovable and of value only to the government), are reported in the governmental activities column in the government-wide Statement of Net Assets. Capital assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Reportable capital assets are defined by the County as assets with initial, individual costs in excess of the following thresholds and estimated useful lives in excess of two years.

Infrastructure	\$ 50,000
Land, buildings	25,000
Equipment	5,000

Property and equipment of the County is depreciated using the straight line method over the following estimated useful lives:

	Estimated	Useful Lives
<u>Asset Class</u>	<u>(In Years)</u>	
Buildings	40-65	
Infrastructure	10-65	
Equipment	2-20	

Due to Other Governments – Due to other governments represents taxes and other revenues collected by the County and payments for services which will be remitted to other governments.

Trusts Payable – Trusts payable represents amounts due to others which are held by various County officials in fiduciary capacities until the underlying legal matters are resolved.

Deferred Revenue – Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds as well as delinquent property tax receivables and other receivables not collected within sixty days after year-end.

Deferred revenue on the Statement of Net Assets consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied and unspent grant proceeds.

Notes to Financial Statements (Continued)

Note 1: Summary of Significant Accounting Policies (Continued)

D. ASSETS, LIABILITIES AND FUND EQUITY (CONTINUED)

Compensated Absences – County employees accumulate a limited amount of earned but unused vacation and sick leave hours for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government wide, proprietary and fiduciary fund financial statements. A liability for these amounts is reported in governmental fund financial statements only for employees that have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2004. The compensated absence liability attributable to the governmental activities will be paid primarily by the General, Mental Health, Rural Services and Secondary Roads Funds.

Long-term Liabilities – In the government-wide financial statements and the proprietary fund financial statements, long term debt and other long term obligations are reported as liabilities in the applicable governmental activities or proprietary fund Statement of Net Assets. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the governmental fund financial statements, the face amount of debt issued is reported as other financing sources. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Fund Equity – In the governmental fund financial statements, reservations of fund balance are reported for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

E. BUDGETS AND BUDGETARY ACCOUNTING

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2004, disbursements exceeded amounts budgeted in the debt service function and disbursement in certain departments exceeded the amounts appropriated.

Note 2: Cash and Pooled Investments

The County's deposits in banks at June 30, 2004 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The County is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Supervisors; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The County's investments are categorized to give an indication of the level of risk assumed by the County at year end. The County's investments are all Category 1, which means that the investments are insured or registered or the securities are held by the County or its agent in the County's name.

Notes to Financial Statements (Continued)

Note 3: Due from and Due to Other Funds

The detail of inter-fund receivables and payables at June 30, 2004 is as follows:

Receivable Fund	Payable Fund	Amount
General Fund	Agency:	
	Auto License and Use Tax	\$8,398

These balances resulted from the time lag between the dates that inter-fund goods and services are provided or reimbursable expenditures occur, transactions are recorded in the accounting system, and payments between funds are made.

Note 4: Loans Receivable

Wright County Revolving Loan Fund Wright County has three economic development loans receivable totaling \$2,246 at June 30, 2004 due from businesses located in Wright County. The loans were made to the businesses to promote economic development.

The loans are to be repaid to Wright County in monthly installments over periods ranging from three to ten years, with interest at rates ranging from five to nine percent per annum. The loan repayments from the businesses remain in the Wright County Revolving Loan Fund for future loans to other businesses. During the year ended June 30, 2004, \$6,041 was written off as uncollectible.

Wright County Revolving Housing Assistance Fund – Wright County was the recipient of a grant from the Iowa Finance Authority (Authority) in the amount not to exceed \$100,000 under the Housing Assistance Fund Program. The Housing Assistance Fund Program was created by the Authority to provide a flexible program of financial assistance for housing projects. Funds are received by the County from the Authority as requested and are then disbursed as loans directly to qualifying lenders to lower the purchaser's mortgage amount or pay for rehabilitation costs.

The loans are repaid to Wright County over a five-year period with interest at five percent per annum. The loan repayments remain in the Special Revenue, Wright County Revolving Housing Assistance Fund for future loans to other borrowers. The balance of the loans receivable at June 30, 2004 totaled \$58,683. During the year ended June 30, 2004, \$2,043 was written off as uncollectible.

Note 5: Inter-fund Transfers

The detail of inter-fund transfers for the year ended June 30, 2004 is as follows:

Transfer To	Transfer From	Amount
Special Revenue:		
Secondary Roads	General Basic	\$ 107,834
Secondary Roads	Rural Services	1,320,376
State Forfeiture	Federal Forfeiture	3,192
Agency		
Assessor	Special Appraisal	11,500
Total		<u>\$ 1,442,902</u>

Transfers generally move resources from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

Notes to Financial Statements (Continued)

Note 6: Capital Assets

Capital assets activity for the year ended June 30, 2004 was as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$782,805	\$0	\$0	\$782,805
Total capital assets not being depreciated	782,805	0	0	782,805
Capital assets being depreciated:				
Buildings	4,534,754	0	(300,000)	4,234,754
Machinery and equipment	4,947,107	281,876	(178,688)	5,050,295
Infrastructure	15,625,963	2,143,737	0	17,769,700
Total capital assets being depreciated	25,107,824	2,425,613	(478,688)	27,054,749
Less accumulated depreciation for:				
Buildings	1,991,793	78,987	(15,000)	2,055,780
Machinery and equipment	2,899,876	369,883	(169,923)	3,099,836
Infrastructure, road network	8,455,609	822,147	0	9,277,756
Total accumulated depreciation	13,347,278	1,271,017	(184,923)	14,433,372
Total capital assets being depreciated, net	11,760,546	1,154,596	(293,765)	12,621,377
Governmental activities capital assets, net	\$12,543,351	\$1,154,596	\$(293,765)	\$13,404,182

Depreciation was charged to functions of the primary government as follows:

Governmental activities:	
Public safety and legal services	\$72,337
Physical health and social services	3,735
Mental health	7,500
County environment and education	24,080
Roads and transportation	1,136,259
Administrative services	23,106
Non-Program	4,000
Total depreciation expense – governmental activities	<u>\$1,271,017</u>

Notes to Financial Statements (Continued)

Note 7 : Due to Other Governments

The County purchases services from other governmental units and also acts as a fee and tax collection agent for various governmental units. Tax collections are remitted to those governments in the month following collection. A summary of amounts due to other governments is as follows:

Fund	Description	Amount
General	Services	\$8,017
Special Revenue:		
Mental Health	Services	119,176
Total for governmental funds		<u>\$127,193</u>
Trust & Agency:		
Agricultural Extension	Collections	\$119,409
Assessor		194,962
Schools		6,927,390
Area Schools		354,172
Corporations		3,487,539
Auto License & Use Tax		292,156
All Others		1,134,490
Total for agency funds		<u>\$12,510,118</u>

Note 8: Changes in Long-Term Liabilities

A summary of changes in long-term debt for the year ended June 30, 2004, is as follows:

	Capital Loan Notes	Drainage Warrants	Drainage Improvements Certificates	Intermediary Relending Loan	Compensated Absences	Total
Balance – Beginning of Year	\$1,335,000	\$707,100	\$831,136	\$333,788	\$186,630	\$3,393,654
Additions	0	171,266	238,169	0	37,908	447,343
Reductions	110,000	566,317	130,073	13,643	0	820,033
Balance – End of Year	\$1,225,000	\$312,049	\$939,232	\$320,145	\$224,538	\$3,020,964
Due within one year	\$115,000	\$0	\$0	\$13,780	\$224,538	\$353,318

Notes Financial Statements (Continued)

Note 8: Changes in Long-Term Liabilities (Continued)

Capital Loan Notes

A summary of the County's June 30, 2004 general obligation capital loan note indebtedness is as follows:

Year Ending June 30,	Interest Rate	Principal	Interest	Total
2005	4.10%	\$115,000	\$53,678	\$168,678
2006	4.15	120,000	48,962	168,962
2007	4.20	125,000	43,982	168,982
2008	4.25	130,000	38,732	168,732
2009	4.35	135,000	33,208	168,208
2010	4.40	140,000	27,336	167,336
2011	4.50	145,000	21,176	166,176
2012	4.60	155,000	14,650	169,650
2013	4.70	160,000	7,520	167,520
Total		<u>\$1,225,000</u>	<u>\$289,244</u>	<u>\$1,514,244</u>

During the year ended June 30, 2004, the County retired \$110,000 of the general obligation capital loan notes.

Drainage Warrants/Drainage Improvements Certificates Payable

Drainage warrants are warrants which are legally drawn on drainage district funds but are not paid for lack of funds, in accordance with Chapter 74 of the Code of Iowa. The warrants bear interest at rates in effect at the time the warrants are first presented.

Drainage improvement certificates payable represent amounts due to purchases of drainage improvement certificates. Drainage improvements certificates are waivers that provide for a landowner to pay an improvement assessment in installment payments over a designated number of years with interest at a designated interest rate. The improvement certificates representing those assessments or installments due from the landowner are sold for cash as interest bearing certificates. Funds received from the sale of certificates are used to pay outstanding registered warrants issued to contractors who perform work on drainage district improvements and registered warrants issued for other related costs. Drainage improvement certificates are redeemed and interest paid to the bearer of the certificate upon receipt of the installment payment plus interest, from the landowners.

Drainage warrants and drainage improvement certificates are paid from the Special Revenue Fund solely from special assessments against benefited properties.

Wright County Intermediary Relending Loan Program

The County entered into an intermediary relending loan program agreement with the Farmers Home Administration (FmHaA) dated July 25, 1994, pursuant to the provisions of Chapter 331.402 of the Code of Iowa. The loan agreement is for the purpose of borrowing funds in order to make loans to private persons for economic development through the Wright County Economic Development Corporation. FmHA loaned the County \$400,000 with interest at the fixed rate of one percent per annum. Principal and interest will be paid in 27 equal annual amortized installments beginning on July 25, 1998, with any remaining balance due and payable 30 years from the date of the note. In addition, the County has contributed \$100,000 to the intermediary relending loan program.

Notes to Financial Statements (Continued)

Note 8: Changes in Long-Term Liabilities (Continued)

Details of the loan repayment requirements are as follows:

Year Ending June 30,	Interest Rate	Principal	Interest	Total
2005	1.00%	\$13,780	\$3,200	\$16,980
2006	1.00	13,917	3,063	16,980
2007	1.00	14,055	2,925	16,980
2008	1.00	14,196	2,784	16,980
2009	1.00	14,338	2,642	16,980
2010	1.00	14,481	2,499	16,980
2011	1.00	14,626	2,354	16,980
2012	1.00	14,772	2,208	16,980
2013	1.00	14,920	2,060	16,980
2014	1.00	15,069	1,911	16,980
2015	1.00	15,220	1,760	16,980
2016	1.00	15,372	1,608	16,980
2017	1.00	15,526	1,454	16,980
2018	1.00	15,681	1,299	16,980
2019	1.00	15,838	1,142	16,980
2020	1.00	15,996	984	16,980
2021	1.00	16,156	824	16,980
2022	1.00	16,318	662	16,980
2023	1.00	16,481	499	16,980
2024	1.00	16,646	334	16,980
2025	1.00	16,757	168	16,925
Total		\$320,145	\$36,380	\$356,525

During the year ended June 30, 2004, the County received loan principal repayments of \$43,389, leaving a balance of loans receivable at June 30, 2004 of \$131,119. During the year ended June 30, 2004, \$93,009 was written off as uncollectible.

Contingent Liabilities

General Obligation Capital Loan Notes

The County entered into an agreement with the Wright County Area Landfill Authority to assist in financing the cost of acquiring and constructing works and facilities useful for the collection and disposal of solid waste, certain landfill closure costs, equipment, transfer station improvements and composting facilities. The agreement provided for Wright County to sell general obligation capital loan notes on behalf of the Authority for the purpose outlined above. The notes are to be repaid from revenues generated by operation of the landfill.

The County is contingently liable on \$200,745 of general obligation capital loan note indebtedness outstanding at June 30, 2004. Since the interest and bond principal is currently paid out of Wright County Area Landfill Authority revenues, this liability has not been recorded in the Long-Term Liabilities on Exhibit A. However, since the notes are a general obligation of the County, if the revenues of the Authority in future years are not adequate, a tax may be levied on all taxable property in the County.

Notes to Financial Statements (Continued)

Note 8: Changes in Long-Term Liabilities (Continued)

Details of this note indebtedness at June 30, 2004, are as follows:

Year Ending June 30,	Interest Rate	Principal	Interest	Total
2005	5.75%	\$35,561	\$11,039	\$46,600
2006	5.75	37,635	8,965	46,600
2007	5.75	39,830	6,770	46,600
2008	5.75	42,154	4,446	46,600
2009	5.75	45,565	1,987	47,552
Total		\$200,745	\$33,207	\$233,952

During the year ended June 30, 2004, the Wright County Area Landfill Authority retired \$33,601 of notes.

General Obligation Work Activity Center Notes

During the year ended June 30, 1994, the County received a \$371,800 Farmer's Home Administration (FmHA) community facilities loan on behalf of Unlimited Opportunities, Inc. to assist in the construction of a work activity center. The County issued general obligation work activity center notes to evidence its obligation under the loan agreement. The notes are to be repaid from revenues generated by operation of the work activity center.

The County is contingently liable on \$178,163 of general obligation work activity center note indebtedness outstanding at June 30, 2004. Since the interest and bond principal is currently paid out of Unlimited Opportunities, Inc. revenues, this liability has not been recorded in the General Long-Term Debt Account Group on Exhibit A. However, since the notes are a general obligation of the County, if the revenues of the work activity center in future years are not adequate, the notes may be payable from the County's General Fund. The transactions for this note issue are accounted for in an Agency Fund.

Details of this note indebtedness at June 30, 2004 are as follows:

Year Ending June 30,	Interest Rate	Principal	Interest	Total
2005	5.00%	\$21,017	\$8,431	\$29,448
2006	5.00	22,092	7,356	29,448
2007	5.00	23,223	6,225	29,448
2008	5.00	24,411	5,037	29,448
2009	5.00	25,660	3,788	29,448
2010	5.00	26,973	2,475	29,448
2011	5.00	28,353	1,095	29,448
2012	5.00	6,434	50	6,484
Total		\$178,163	\$34,437	\$212,620

During the year ended June 30, 2004, Unlimited Opportunities, Inc. retired \$19,994 of notes. The above schedule of note indebtedness provides for an anticipated pay-off date of October 1, 2011 even though the notes have a stated maturity date of June 29, 2014.

Notes to Financial Statements (Continued)

Note 9: Pension and Retirement Benefits

The County contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa 50306-9117.

Plan members are required to contribute 3.70% of their annual covered salary and the County is required to contribute 5.75% of annual covered payroll except for law enforcement employees, in which case the percentages for the year ended June 30, 2004 are 4.99% and 7.48%, respectively. For the year ended June 30, 2003, the contribution rates for law enforcement employees and the County were 5.37% and 8.05%, respectively, and for the year ended June 30, 2002, the contribution rates for law enforcement and the County were 5.50% and 8.25%, respectively. Contribution requirements are established by State statute. The County's contribution to IPERS for the years ended June 30, 2004, 2003, and 2002 were \$245,147, \$242,074, and \$230,120, respectively, equal to the required contributions for each year.

Note 10: Risk Management

Wright County is a member in the Iowa Communities Assurance Pool, as allowed by Chapter 331.301 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool with over 400 members from various governmental entities throughout the State of Iowa. The Pool was formed in August 1986 for the purpose of managing and funding third-party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public officials liability, police professional liability, property and inland marine. There have been no reductions in insurance coverage from prior years.

Each member's annual casualty contributions to the Pool fund current operations and provide capital. Annual operating contributions are those amounts necessary to fund expenses and reinsurance expenses due and payable in the current year, plus all of any portion of any deficiency in capital. Capital contributions are made during the first six years of membership and are maintained to equal 300 percent of the total current members' basis rates or to comply with the requirements of any applicable regulatory authority having jurisdiction over the Pool.

The Pool also provides property coverage. Members who elect such coverage make annual operating contributions which are necessary to fund, on a cash basis, the Pool's general and administrative expenses and reinsurance premiums, all of which are due and payable in the current year, plus all or any portion of a deficiency in capital. Any year-end operating surplus is transferred to capital. Deficiencies in operations are offset by transfers from capital and, if sufficient, by the subsequent year's member contributions.

The County's property and casualty contribution to the risk pool are recorded as expenditures from its operating funds at the time of payment to the risk pool. The County's annual contributions to the Pool for the year ended June 30, 2004 were \$98,563.

The Pool uses reinsurance and excess risk sharing agreements to reduce its exposure to large losses. The Pool retains general, automobile, police professional, and public officials liability risks up to \$250,000 per claim. Claims exceeding \$250,000 are reinsured in an amount not to exceed \$1,750,000 per claim and \$5,000,000 in aggregate per year. For members requiring specific coverage from \$2,000,000 to \$15,000,000, such excess coverage is also reinsured. All property risks are reinsured on an individual member basis.

Notes to Financial Statements (Continued)

Note 10: Risk Management (Continued)

The Pool's intergovernmental contract with its members provides that in the event a casualty claim or series of claims exceeds the amount of risk sharing protection provided by the member's risk sharing certificate, or in the event that a series of casualty claims exhausts total members' equity plus any reinsurance and any excess risk sharing recoveries, then payment of such claims shall be the obligation of the respective individual member. The County does not report a liability for losses in excess of reinsurance or excess risk sharing recoveries unless it is deemed probable that such losses have occurred and the amount of such losses can be reasonably estimated. Accordingly, at June 30, 2004, no liability has been recorded in the County's financial statements. As of June 30, 2004, settled claims have not exceeded the risk pool or reinsurance company coverage since the pool's inception.

Members agree to continue membership in the Pool for a period of not less than one full year. After such period, a member who has given 60 days prior written notice may withdraw from the Pool. Upon withdrawal, payments for all claims and claims expenses become the sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to the member's withdrawal. Members withdrawing within the first six years of membership may receive a partial refund of their capital contributions. If a member withdraws after the sixth year, the member is refunded 100 percent of their capital contributions, however, the refund is reduced by an amount equal to the annual operating contribution, which the withdrawing member would have made for the one-year period following withdrawal.

The County also carries commercial insurance purchased from other insurers for coverage associated with workers compensation and employee blanket bond. The County assumes liability for any deductibles and claims in excess of coverage limitations. The County assumes responsibility for workers compensation claims in excess of \$1,000,000 and employee blanket bond claims in excess \$50,000 (\$450,000 for the County Treasurer), respectively. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

Note 11: Employee Group Health Fund

The Internal Service, Employee Group Health Fund, which is held by the County Treasurer, was established to account for the partial self-funding of the County's health insurance benefit plan and to purchase health insurance. Wright County purchases health insurance from Wellmark Blue Cross/Blue Shield. In addition to the benefits provided by that policy, Wright County also reimburses employees directly for their portion of certain deductibles and co-insurance.

Monthly payments of service fees and plan contributions to the Internal Service, Employee Group Health Fund are recorded as expenditures from the operating funds. Under the administrative services agreement, monthly payments of service fees and claims processed are paid to Bradford Financial Center from the Internal Service, Employee Group Health Fund. The County's contribution to the fund for the year ended June 30, 2004 was \$1,165,172.

The amounts payable from the Internal Service, Employee Group Health Fund at June 30, 2004, for incurred but not reported (IBNR) and reported but not paid claims has not been determined since the County's actuarial opinion is dated December 31, 2003. The June 30, 2004 amounts are not available, but are not deemed to be material to the financial statements.

Note 12: Restatement of Beginning Net Assets

The beginning net assets at June 30, 2003 have been restated to reflect the inclusion of infrastructure prior to 2003 as required by Phase II governments, and corrections in drainage and accrued interest payable from the fiscal year ended June 30, 2003.

The net effect of the misstatements are:

Increase capital assets net of accumulated depreciation by \$6,914,596, decrease drainage warrants payable by \$8,310, and decrease accrued interest payable by \$3,059.

WRIGHT COUNTY
Clarion, Iowa

BUDGETARY COMPARISON SCHEDULE OF RECEIPTS,
DISBURSEMENTS AND CHANGES IN BALANCES
BUDGET AND ACTUAL (CASH BASIS) – ALL GOVERNMENTAL FUNDS
REQUIRED SUPPLEMENTARY INFORMATION
Year Ended June 30, 2004

	Actual	Less Funds Not Required to Be Budgeted	Net	Budgeted Amounts		Final to Net Variance
				Original	Final	
RECEIPTS						
Property and Other County Tax	\$5,203,266	\$0	\$5,203,266	\$5,110,530	\$5,110,530	\$92,736
Interest and Penalty on Property Tax	34,475	0	34,475	10,800	10,800	23,675
Intergovernmental	5,656,431	0	5,656,431	5,807,430	6,189,974	(533,543)
Licenses and Permits	9,667	0	9,667	2,475	2,475	7,192
Charges for Services	479,842	0	479,842	403,205	414,205	65,637
Use of Money and Property	197,554	0	197,554	261,898	580,549	(382,995)
Miscellaneous	1,282,609	728,481	554,128	214,058	220,258	333,870
Total Receipts	12,863,844	728,481	12,135,363	11,810,396	12,528,791	(393,428)
DISBURSEMENTS						
Public Safety and Legal Services	1,329,098	0	1,329,098	1,354,409	1,363,379	34,281
Physical Health and Social Services	2,694,414	0	2,694,414	2,797,342	2,894,342	199,928
Mental Health	1,449,411	0	1,449,411	1,343,121	1,483,692	34,281
County Environment and Education	786,135	0	786,135	1,021,019	1,027,319	241,184
Roads and Transportation	3,197,529	0	3,197,529	3,265,000	3,435,000	237,471
Governmental Services to Residents	316,781	0	316,781	433,787	433,787	117,006
Administrative Services	857,425	0	857,425	1,084,368	1,108,368	250,943
Non-Program	1,313,993	1,284,413	29,580	43,400	43,400	13,820
Debt Service	168,433	0	168,433	168,132	168,132	(301)
Capital Projects	65,354	0	65,354	655,000	530,000	464,646
Total Disbursements	12,178,573	1,284,413	10,894,160	12,165,578	12,487,419	1,593,259
Excess (Deficiency) of Receipts Under Disbursements	685,271	(555,932)	1,241,203	(355,182)	41,372	1,199,831
Other Financing Sources, Net	741,220	409,435	331,785	0	0	331,785
Excess (Deficiency) of Receipts & Other Financing Sources Under Disbursements and Other Financing Uses	1,426,491	(146,497)	1,572,988	(355,182)	41,372	1,531,616
Balance Beginning of Year	4,342,896	462,644	3,880,252	2,904,478	2,904,478	975,774
Balance End of Year	\$5,769,387	\$316,147	\$5,453,240	\$2,549,296	\$2,945,850	\$2,507,390

See Accompanying Independent Auditors' Report

WRIGHT COUNTY
Clarion, Iowa

BUDGET TO GAAP RECONCILIATION
REQUIRED SUPPLEMENTARY INFORMATION
Year Ended June 30, 2004

	Governmental Funds		
	Cash Basis	Accrual Adjustments	Modified Accrual Basis
Revenues	\$12,863,844	\$194,502	\$13,058,346
Expenditures	12,178,573	(106,729)	12,071,844
Net	685,271	301,231	986,502
Other Financing Sources (Uses)	741,220	0	741,220
Beginning Fund Balances	4,342,896	833,546	5,176,442
Increase (Decrease) in Reserve For:			
Inventories	0	(10,990)	(10,990)
Ending Fund Balances	\$5,769,387	\$1,123,787	\$6,893,174

See Accompanying Independent Auditors' Report

**Wright County
Clarion, Iowa**

Notes to Required Supplementary Information – Budgetary Reporting

June 30, 2004

In accordance with the Code of Iowa, the County Board of Supervisors annually adopts a budget on the cash basis following required public notice and hearing for all funds, except blended component units and agency funds, and appropriates the amount deemed necessary for each of the different County offices and departments. The budget may be amended during the year utilizing similar prescribed procedures. Encumbrances are not recognized on the cash basis budget and appropriation lapse at year end.

Formal and legal budgetary control is based upon 10 major classes of expenditures known as functions, not by fund or fund type. These 10 functions are: public safety and legal services, physical health and social services, mental health, county environment and education, roads and transportation, governmental services to residents, administrative services, non-program, debt service and capital projects. Function disbursements required to be budgeted include disbursements for the general fund, special revenue funds, debt service fund, capital projects funds and expendable trust funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not at the fund or fund type level. Legal budgetary control is also based upon the appropriation to each office or department. During the year, two budget amendments increased budgeted disbursements by \$321,841. This budget amendment is reflected in the final budgeted amounts.

In addition, annual budgets are similarly adopted in accordance with the Code of Iowa by the appropriate governing body as indicated: for the County Extension Office by the County Agricultural Extension Council, for the County Assessor by the County Conference Board, for the E911 System by the Joint E911 Service Board and for Emergency Management Services by the County Emergency Management Commission.

During the year ended June 30, 2004, disbursements in the Debt Service Function exceeded the amounts budgeted and certain departments exceeded the amounts appropriated.

WRIGHT COUNTY
Clarion, Iowa

COMBINING BALANCE SHEET
NON-MAJOR SPECIAL REVENUE FUNDS
June 30, 2004

	County Recorder's Records Management	County Recorder's Electronic Transaction Fee	Attorney Share Forfeiture	Federal Forfeiture	State Forfeiture	Resource Enhancement & Protection
ASSETS						
Cash and Pooled Investments	\$39,925	\$22,718	\$1,161	\$274,602	\$5,995	\$80,321
Receivables						
Accounts	874	0	0	0	0	0
Accrued Interest	17	9	0	140	3	37
Loans	0	0	0	0	0	0
Due From Other Governments	0	0	0	0	0	0
TOTAL ASSETS	\$40,816	\$22,727	\$1,161	\$274,742	\$5,998	\$80,358
LIABILITIES AND FUND EQUITY						
Liabilities						
Accounts Payable	\$0	\$0	\$0	\$2,278	\$0	\$0
Deferred Revenue	0	0	0	0	0	0
Total Liabilities	0	0	0	2,278	0	0
Fund Equity						
Fund Balance						
Unreserved	40,816	22,727	1,161	272,464	5,998	80,358
TOTAL LIABILITIES AND FUND EQUITY	\$40,816	\$22,727	\$1,161	\$274,742	\$5,998	\$80,358

See Accompanying Independent Auditors' Report

Schedule 1

Economic Development Marketing	Public Health Resource	Intermediary Relending Loan Program	Revolving Loan	Emergency Medical Services	Revolving Housing Assistance	Conservation Land Acquisition Trust	Total
\$44,542	\$80,130	\$359,297	\$24,723	\$4,410	\$86,849	\$120,169	\$1,144,842
0	409	0	0	0	0	0	1,283
23	40	320	10	0	42	107	748
0	0	131,119	2,246	0	58,683	0	192,048
0	0	0	0	9,760	0	0	9,760
\$44,565	\$80,579	\$490,736	\$26,979	\$14,170	\$145,574	\$120,276	\$1,348,681
\$1,859	\$448	\$0	\$0	\$0	\$0	\$0	\$4,585
0	0	131,119	2,246	0	58,683	0	192,048
1,859	448	131,119	2,246	0	58,683	0	196,633
42,706	80,131	359,617	24,733	14,170	86,891	120,276	1,152,048
\$44,565	\$80,579	\$490,736	\$26,979	\$14,170	\$145,574	\$120,276	\$1,348,681

WRIGHT COUNTY
Clarion, Iowa

COMBINING SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NON-MAJOR SPECIAL REVENUE FUNDS
Year Ended June 30, 2004

	County Recorder's Records Management	County Recorder's Electronic Transaction Fee	Attorney Share Forfeiture	Federal Forfeiture	State Forfeiture
REVENUES					
Intergovernmental	\$0	\$0	\$0	\$0	\$0
Charges for Services	3,728	22,689	0	0	0
Use of Money and Property	174	38	0	1,164	17
Miscellaneous	0	0	387	325,000	2,789
Total Revenues	3,902	22,727	387	326,164	2,806
EXPENDITURES					
Operating:					
Public Safety and Legal Services	0	0	0	74,953	0
County Environment and Education	0	0	0	0	0
Governmental Services to Residents	1,969	0	0	0	0
Total Expenditures	1,969	0	0	74,953	0
Excess (Deficiency) of Revenues Over (Under) Expenditures	1,933	22,727	387	251,211	2,806
Other Financing Sources (Uses)					
Operating Transfers In	0	0	0	0	3,192
Operating Transfers Out	0	0	0	(3,192)	0
	0	0	0	(3,192)	3,192
Excess (Deficiency) of Revenues & Other Financing Sources Over (Under) Expenditures	1,933	22,727	387	248,019	5,998
Fund Balances – Beginning of Year	38,883	0	774	24,445	0
Fund Balances – End of Year	\$40,816	\$22,727	\$1,161	\$272,464	\$5,998

See Accompanying Independent Auditors' Report

Schedule 2

Resource Enhancement & Protection	Economic Development Marketing	Public Health Resource	Intermediary Relending Loan Program	Revolving Loan	Emergency Medical Services	Revolving Housing Assistance	Conservation Land Acquisition Trust	Total
\$10,223	\$0	\$0	\$0	\$0	\$9,892	\$0	\$0	\$20,115
0	0	0	0	0	0	0	0	26,417
366	280	408	44,211	5,600	0	20,010	903	73,171
0	20,546	23,048	0	0	0	0	48,660	420,430
10,589	20,826	23,456	44,211	5,600	9,892	20,010	49,563	540,133
0	0	0	0	0	0	0	0	74,953
0	24,758	9,584	66,980	13,030	0	29,135	0	143,487
0	0	0	0	0	0	0	0	1,969
0	24,758	9,584	66,980	13,030	0	29,135	0	220,409
10,589	(3,932)	13,872	(22,769)	(7,430)	9,892	(9,125)	49,563	319,724
0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0
10,589	(3,932)	13,872	(22,769)	(7,430)	9,892	(9,125)	49,563	319,724
69,769	46,638	66,259	382,386	32,163	4,278	96,016	70,713	832,324
\$80,358	\$42,706	\$80,131	\$359,617	\$24,733	\$14,170	\$86,891	\$120,276	\$1,152,048

WRIGHT COUNTY
Clarion, Iowa

COMBINING SCHEDULE OF FIDUCIARY
ASSETS AND LIABILITIES
AGENCY FUNDS
June 30, 2004

	County Offices	Agricultural Extension Education	County Assessor	Schools
ASSETS				
Cash and Pooled Investments				
County Treasurer	\$0	\$1,417	\$58,581	\$89,460
Other County Officials	8,652	0	0	0
Receivables				
Property Tax				
Delinquent	0	31	39	1,874
Succeeding Year	0	117,897	145,772	6,832,320
Accounts	16	0	0	0
Accrued Interest	0	0	0	0
Assessments	0	0	0	0
Due From Other Governments	0	64	79	3,736
TOTAL ASSETS	\$8,668	\$119,409	\$204,471	\$6,927,390
LIABILITIES				
Liabilities				
Accounts Payable	\$0	\$0	\$1,219	\$0
Salaries and Benefits Payable	0	0	1,436	0
Due to Other Governments	6,426	119,409	194,962	6,927,390
Trusts Payable	2,242	0	0	0
Compensated Absences	0	0	6,854	0
TOTAL LIABILITIES	\$8,668	\$119,409	\$204,471	\$6,927,390

See Accompanying Independent Auditor's Report

Area Schools	Corporations	Townships	City Special Assessments	Auto License & Use Tax	Other	Total
\$4,325 0	\$38,863 0	\$2,191 0	\$5,248 0	\$292,156 0	\$629,480 0	\$1,121,721 8,652
90	1,295	34	0	0	18	3,381
349,568	3,444,297	166,626	0	0	70,199	11,126,679
0	0	0	0	0	18,761	18,777
0	0	0	0	0	155	155
0	0	0	268,829	0	0	268,829
189	3,084	47	0	0	36	7,235
\$354,172	\$3,487,539	\$168,898	\$274,077	\$292,156	\$718,649	\$12,555,429
\$0 0	\$0 0	\$0 0	\$0 0	\$0 0	\$19,912 4,849	\$21,131 6,285
354,172	3,487,539	168,898	274,077	292,156	685,089	12,510,118
0	0	0	0	0	0	2,242
0	0	0	0	0	8,799	15,653
\$354,172	\$3,487,539	\$168,898	\$274,077	\$292,156	\$718,649	\$12,555,429

WRIGHT COUNTY
Clarion, Iowa

**COMBINING SCHEDULE OF CHANGES IN FIDUCIARY
ASSETS AND LIABILITIES – AGENCY FUNDS**

Year Ended June 30, 2004

	County Offices	Agricultural Extension Education	County Assessor	Schools
ASSETS AND LIABILITIES				
Balances – Beginning of Year	\$12,162	\$120,851	\$219,429	\$7,560,397
Additions				
Property and Other County Tax	0	121,502	149,456	7,056,411
E911 Surcharge	0	0	0	0
State Tax Credits	0	7,442	7,614	463,357
Driver License Fees	0	0	0	0
Office Fees and Collections	255,471	0	0	0
Electronic Transaction Fees	0	0	0	0
Auto Licenses, Use Tax & Postage	0	0	0	0
Assessments	0	0	0	0
Trusts	136,185	0	0	0
Miscellaneous	0	178	6,993	11,750
Total Additions	391,656	129,122	164,063	7,531,518
Deductions				
Agency Remittances				
To County Funds	153,294	0	0	0
To Other Governments	106,558	130,564	190,521	8,164,525
Trusts Paid Out	135,298	0	0	0
Total Deductions	395,150	130,564	190,521	8,164,525
Other Financing Sources (Uses)				
Operating Transfers In (Out)	0	0	11,500	0
Balances – End of Year	\$8,668	\$119,409	\$204,471	\$6,927,390

See Accompanying Independent Auditors' Report

Schedule 4

Area Schools	Corporations	Townships	City Special Assessments	Auto License & Use Tax	Other	Total
\$369,561	\$3,509,426	\$181,435	\$351,236	\$230,355	\$663,020	\$13,217,872
360,583	3,542,055	171,923	0	0	71,983	11,473,913
0	0	0	0	0	68,285	68,285
22,748	288,882	9,300	0	0	3,728	803,071
0	0	0	0	83,588	0	83,588
0	0	0	0	0	0	255,471
0	0	0	0	0	18,640	18,640
0	0	0	0	3,097,912	0	3,097,912
0	0	0	15,903	0	0	15,903
0	0	0	0	0	261,886	398,071
537	0	353	0	0	297,333	317,144
383,868	3,830,937	181,576	15,903	3,181,500	721,855	16,531,998
0	0	0	0	115,117	0	268,411
399,257	3,852,824	194,113	93,062	3,004,582	392,840	16,528,846
0	0	0	0	0	261,886	397,184
399,257	3,852,824	194,113	93,062	3,119,699	654,726	17,194,441
0	0	0	0	0	(11,500)	0
\$354,172	\$3,487,539	\$168,898	\$274,077	\$292,156	\$718,649	\$12,555,429

WRIGHT COUNTY
Clarion, Iowa

**SCHEDULE OF REVENUES BY SOURCE AND
EXPENDITURES BY FUNCTION
ALL GOVERNMENTAL FUND TYPES**

For the Last Four Years

	Modified Accrual Basis			
	2004	2003	2002	2001
Revenues:				
Property & Other County Tax	\$5,192,685	\$5,000,118	\$4,659,659	\$4,495,161
Interest & Penalty On Property Tax	34,793	37,416	40,131	27,939
Intergovernmental	5,850,284	5,258,406	5,591,001	5,246,699
Licenses & Permits	9,567	4,065	2,865	3,890
Charges For Service	479,889	435,710	446,533	398,854
Use of Money & Property	204,246	222,420	197,165	395,702
Miscellaneous	558,401	2,476,337	2,384,660	574,105
Non-Program	728,481	0	0	0
Total	<u>\$13,058,346</u>	<u>\$13,434,472</u>	<u>\$13,322,014</u>	<u>\$11,142,350</u>
Expenditures:				
Operating:				
Public Safety & Legal Services	\$1,331,130	\$1,208,316	\$1,191,521	\$1,041,035
Physical Health & Social Services	2,696,302	2,522,677	2,558,332	2,586,528
Mental Health	1,448,386	1,425,804	1,724,234	1,554,172
County Environment & Education	797,332	680,120	644,835	869,800
Roads & Transportation	2,921,667	3,024,214	3,567,732	3,296,541
Governmental Services To Residents	321,153	298,828	320,335	280,434
Administrative Services	859,642	936,506	845,521	780,956
Non-Program	1,312,576	3,613,795	1,452,410	1,436,142
Debt Services	168,433	167,332	2,411,238	421,327
Capital Projects	215,223	469,047	452,690	1,336,711
Total	<u>\$12,071,844</u>	<u>\$14,346,639</u>	<u>\$15,168,848</u>	<u>\$13,603,646</u>

See Accompanying Independent Auditors' Report

Independent Auditors' Report on Compliance and on Internal Control Over Financial Reporting

To the Officials of Wright County:

We have audited the financial statements of Wright County, Iowa, as of and for the year ended June 30, 2004, and have issued our report thereon dated February 25, 2005. We conducted our audit in accordance with U.S. generally accepted auditing standards, Chapter 11 of the Code of Iowa, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Wright County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations and contracts, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of non-compliance that are described in the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the County's operations for the year ended June 30, 2004 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the County. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes. Prior year statutory comments have been resolved, except for items 2, 5 and 7.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Wright County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect Wright County's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying Schedule of Findings.

Independent Auditors' Report on Compliance and on Internal Control Over Financial Reporting (Continued)

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we believe item (A) is a material weakness. Prior year reportable conditions have been resolved except for items (A) and (B).

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Wright County and other parties to whom Wright County may report. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Wright County during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

February 25, 2005

WRIGHT COUNTY
Clarion, Iowa

SCHEDULE OF FINDINGS
Year Ended June 30, 2004

Findings Related to the Financial Statements

INSTANCES OF NON-COMPLIANCE

No matters were reported.

REPORTABLE CONDITIONS

- (A) **Segregation of Duties** – During our review of internal control, the existing procedures are evaluated in order to determine that incompatible duties, from a control standpoint, are not performed by the same employee. This segregation of duties helps to prevent losses from employee error or dishonesty and, therefore, maximizes the accuracy of the County's financial statements.

Recommendation – We realize that with a limited number of office employees, segregation of duties is difficult. However, the County Officials should review the operating procedures of each office to obtain the maximum internal control possible under the circumstances.

Response – We have reviewed procedures and plan to make the necessary changes to improve internal control.

Conclusion – Response accepted.

- (B) **Information Systems** – During our review of internal control, the existing control activities in the County's computer based systems were evaluated in order to determine that activities, from a control standpoint, were designed to provide reasonable assurance regarding the achievement of objectives in the reliability of financial reporting, effectiveness and efficiency of operations, and compliance with applicable laws and regulations. The following weaknesses in the County's computer based systems were noted:

The County does not have written policies for:

- Password Privacy and confidentiality
- Requiring user profiles to help limit access to programs to those who have a legitimate need.
- The County does not have a written disaster recovery plan.

Recommendation – The County should develop written policies addressing the above items in order to improve the County's control over computer based systems.

Response – The County will comply in the future with these recommendations. County officials have discussed and agree that these policies are needed. A disaster recovery plan is in process.

Conclusion – Response accepted.

Other Findings Related to Required Statutory Reporting:

- 1 **Official Depositories** – A resolution naming official depositories for the Treasurer has been adopted by the Board of Supervisors. However, we noted no resolutions for the Recorder or the Sheriff.

Recommendation – Resolutions in amounts sufficient to cover anticipated balance for the Recorder and the Sheriff should be adopted by the Board.

Response – We will adopt the required resolutions.

Conclusion – Response accepted.

- 2 **Certified Budget** – Disbursements during the year ended June 30, 2004 exceeded the amounts budgeted in the Debt Service Function. Disbursements in certain departments exceeded the amounts appropriated.

Recommendation – The budget should have been amended in accordance with Chapter 331.435 of the Code of Iowa before disbursements were allowed to exceed the budget. Chapter 331.434(6) of the Code of Iowa authorizes the Board of Supervisors, by resolution, to increase or decrease appropriations of one office or department by increasing or decreasing the appropriation of another office or department as long as the function budget is not increased. Such increases or decreases should be made before disbursements are allowed to exceed the appropriation.

Response – We will amend the budget when required and appropriations will be watched more closely by the departments.

Conclusion – Response accepted.

- 3 **Questionable Expenditures** – No expenditures were noted that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.
- 4 **Travel Expense** – No expenditures of County money for travel expenses of spouses of County officials or employees were noted.
- 5 **Business Transaction** - Business transactions between the County and County officials of employees were noted.

<u>Name, Title, and Business Connection</u>	<u>Transaction</u>	<u>Amount</u>
Fred Meeder, Deputy Sheriff	Locksmith	\$324
James Ahrends, Secondary Road Employee	Beaver Dam Removal	\$200
Merle Weidemann, Owner of STN Repair, Secondary Road Employee	Repair Work	\$498

Recommendation – The business transactions with these County employees do not appear to represent conflicts of interest since the amounts for each individual do not exceed \$1,500 during the fiscal year. However, the County should refrain from business transaction with County officials or employees whenever possible.

Response – We will refrain from business transactions with officials or employees whenever possible.

Conclusion – Response accepted.

- 6 **Bond Coverage** – Surety bond coverage of County officials and employees is in accordance with statutory provisions.

- 7 **Board Minutes** – No transactions were found that we believe should have been approved in the Board minutes but were not. Also, the minutes were not published as required by Chapter 349.18 of the Code of Iowa and Attorney General's opinion dated December 10, 1985, 1986 and 1989 and the official newspapers do not provide proofs of publication for the board minute publications.

Recommendation – The Auditor should ensure that the minutes are made available for publication as required by the Code of Iowa. The official newspapers should supply the County with a proof of publication for all official notices.

Response – It is difficult to comply with Chapter 349.18 due to the fact that the newspaper is a weekly publication.

Conclusion – Response accepted.

- 8 **Deposits and Investments** – No instances of non-compliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the County's investment policy were noted.

- 9 **Resource Enhancement and Protection Certification** - The County properly dedicated property tax revenue to conservation purposes as required by Chapter 455A.19(1)(b) of the Code of Iowa in order to receive the additional REAP funds allocated in accordance with subsections (b)(2) and (b)(3).

- 10 **Economic Development** – During the year ended June 30, 2004, the County spent \$157,940 for economic development purposes, which appears to be an appropriate expenditure of public funds since benefits to be derived have been clearly documented.

- 11 **Operating Transfers** – The Board of Supervisors did not approve the October 13, 2003 transfer from the Federal Forfeiture Fund to the State Forfeiture Fund.

Recommendation – Chapter 331.432 of the Code of Iowa requires the Board of Supervisors to approve all operating transfers and document that approval in the board minutes.

Response – I was not fully aware of the requirements and will comply in the future.

Conclusion – Response accepted.

- 12 **County Extension Office** – The County Extension Office is operated under the authority of Chapter 176A of the Code of Iowa and serves as an agency of the State of Iowa. This fund is administered by an extension council separate and distinct from County operations and, consequently, is not included in Exhibits A or B. Disbursements during the year ended June 30, 2004 for the County Extension Office did not exceed the amount budgeted.

- 13 **Vehicle Usage Policy** - The County does not have a written vehicle usage policy regarding the use of County vehicles.

Recommendation – The County should develop a written vehicle usage policy.

Response – We are in the process of preparing a policy.

Conclusion – Response accepted.

- 14 **Disbursements** – Claims submitted to the Auditor’s office for payment were not always supported by an invoice. The Auditor does not receive invoices for several departments, instead the departments turn in a spreadsheet with a list of claims to be paid. Invoices were not cancelled to prevent reuse. Credit card disbursements were not accompanied by detailed receipts.

Recommendation – Claims should be accompanied by an invoice, showing the basis of the claim and whether for property sold or furnished for services rendered or for another purpose according to Chapter 331.504 of the Code of Iowa.

Response – The departments will supply supporting documentation for each claim submitted. We will cancel all invoices in the future. The department heads will comply with the requirements for credit card statements.

Conclusion – Response accepted.

News Release

March 30, 2005

Gardiner Thomsen today released an audit report on Wright County, Iowa.

The County had local tax revenue of \$18,039,484 for the year ended June 30, 2004, which included \$1,081,338 in tax credits from the state. The County forwarded \$12,992,972 of the local tax revenue to the townships, school districts, cities and other taxing bodies in the County.

The County retained \$5,046,512 of the local tax revenue to finance County operations, a 10% increase from the prior year. Other revenues included charges for service of \$1,434,897, operating grants, contributions and restricted interest of \$4,930,160, unrestricted investment earnings of \$107,468 and other general revenues of \$1,545,638.

Expenses for County operations totaled \$12,218,320, an 8% decrease from the prior year. Expenses included \$3,968,541 for Roads and Transportation, \$2,707,593 for Physical Health and Social Services, and \$1,458,486 for Mental Health.

The significant increase (decrease) in revenues and expenses is due primarily to increased property tax and Intergovernmental revenues and decreased general and secondary road expenses.

A copy of the audit report is available for review in the Office of Auditor of State and the County Auditor's office.

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